ATLANTA ECONOMIC REVIEW

MARCH 1960 VOL. X. NO. 3

CONTENTS

GEORGIA STATE COLLEGE
OF BUSINESS ADMINISTRATION
BUREAU OF BUSINESS AND ECONOMIC RESEARCH

THE ATLANTA ECONOMIC REVIEW

GEORGIA STATE COLLEGE
of Business Administration
School of Business Administration
Bureau of Business and Economic Research

Noah N. Langdale, Jr., *President*
George E. Manners, *Dean*
Willys R. Knight, *Director*

The ATLANTA ECONOMIC REVIEW is published monthly by the Bureau of Business and Economic Research as a service to business and academic communities. It will be sent free on request. Address requests, manuscripts, and other communications to **The Atlanta Economic Review,** School of Business Administration, Georgia State College of Business Administration, 33 Gilmer St., S.E., Atlanta 3, Georgia. Second-class postage paid at Atlanta, Georgia.

This Month's Authors

HARRY G. BRAINARD
ERNEST W. OGRAM, JR.
BASIL A. WAPENSKY
EDWIN H. FLYNN

In the symposium on international payments, four sagacious contributors, skilled in their grasp of international economic relations, comment on the current balance of payments problems facing the United States.

The four writers are professors with affiliations as follows: Brainard—Economics, Michigan State University; Ogram—Economics, Georgia State College of Business Administration; and Flynn—Finance, University of Tennessee. Mr. Wapensky is on the adjunct faculty (Economics) of Georgia State College of Business Administration and is manager of the Bank and Public Services Department of the Federal Reserve Bank of Atlanta.

STUART W. McFARLAND

Dr. McFarland's article summarizes generally the import-export trade through the Savannah, Georgia, port, in tonnage and value, and compares Savannah with other southeastern ports.

Dr. McFarland, formerly of Georgia State College of Business Administration, is presently on the faculty of the Division of Business Administration of Jacksonville University.

RICHARD H. RICH

Mr. Rich, President of Rich's, Atlanta department store, launches a new series in the **Atlanta Economic Review**—a series entitled "The Management Forum." It is hoped that, from contributors to this series, businessmen and others in managerial positions will find practical, beneficial suggestions for dealing with many management problems.

Mr. Rich's comments emphasize the executive's need for securing personnel who are "leaders"—staff members who have the characteristics, many of which are of nebulous definition, that have been ascribed to the leader. The author lists some of the traits and attitudes of an effective business leader and suggests techniques that "help build a manager to the posture of image of leadership in the minds of his associates and the public."

JACK BLICKSILVER

Dr. Blicksilver's article is adapted from his monograph, **Cotton Manufacturing in the Southeast: An Historical Analysis.** The excerpts taken from the study depict the *managerial element* in the evolution of the southern textile industry. A second article, for later publication, will present the *workers* in the southern textile industry.

Dr. Blicksilver is Associate Professor of Economic History, School of Business Administration of Georgia State College of Business Administration.

THE AMERICAN BALANCE OF PAYMENTS DILEMMA

A Symposium: *"What suggestions do you have concerning our current foreign payments situation?"*

Contributors: *Harry G. Brainard, Ernest W. Ogram, Jr., Basil A. Wapensky, Edwin H. Flynn*

Considerable concern has been expressed over recent developments pertaining to the United States' balance of payments with other countries—developments which signify a drastic reversal in this country's position. The four contributors to the general question regarding our foreign payments situation were asked to comment on what they considered most significant in this area of economic policy.

From a Dollar Shortage to a Dollar Surplus

HARRY G. BRAINARD

It was not so many years ago that the position of the United States in world trade was considered invulnerable. As the leading industrial nation it could be expected to out-compete all comers and perpetually to maintain an excess of exports over imports, to be financed by the largesse of our government through foreign aid programs and through a modest flow of American capital abroad. Our gold hoard would not increase, perhaps, but it certainly would not be expected to decline substantially. The dollar shortage was inevitable. How wrong this smugly complacent view could be is now clearly evident.

In the briefest terms possible, the situation prevailing at the beginning of the 1960's is roughly this. Over the past several years merchandise exports have declined by a billion dollars or so; imports, on the other hand, have moved up slightly, but on balance there has been a trade surplus ranging from $4.6 billion in 1956 to $3.3 billion in 1958. For 1959 the balance is considerably smaller, perhaps about half of the previous figure. So far as service transactions are concerned, there has been and continues to be essentially a balance with about $200 million in favor of the United States. The favorable trade balance is less real, however, than it looks because from it must be subtracted United States military expenditures abroad, which have been relatively stable over the years at about $3.2 billion. When this adjustment is made, the current-account surplus for recent years is sharply reduced and in 1959 was negative. This means that earnings from United States exports were not sufficient to finance our imports and pay for the maintenance of our military and defense operations throughout the world.[1]

It is beyond the scope of this paper to detail all the factors responsible for the dollar surplus, but enough has been said to suggest the main causes. Exports have declined slightly; imports have increased by about a billion dollars, and the United States military expenditures abroad have become somewhat larger in recent years.[2]

The solution to our balance of payments position does not lie in the weakening of United States defense installations abroad. No serious student of world affairs would advocate such action on balance of payments considerations. But what nations

1 It has been suggested in recent months that United States foreign aid, which is both military and economic, might be reduced as one means of mitigating the effects of our balance of payments deficit. To advocate such action is to misunderstand the nature of trade. Foreign aid dollars are not shipped out of the country, but the goods and services they buy are. Hence a reduction in aid would also cause a comparable decline in exports. Similarly, it might be argued that American foreign investments could be reduced; but here, too, nothing would be gained with respect to the nation's balance of payments. United States dollars invested abroad take the form of exports. A decline in investments abroad would ultimately be reflected in a lower level of exports.

2 It should be pointed out that countries receiving these defense dollars are free to use them as they choose; none of these dollars is tied to exports from the United States, and ought not to be so tied.

do with these national defense dollars can appropriately be studied, especially when it is realized that about half of these funds comes into the possession of the major nations of Western Europe, who now need them least; the greatest need is in the underdeveloped nations.

The leveling-off and perhaps even a modest decline in American exports should not come as a surprise; on the contrary, it was almost certain to happen. This has been a natural result of the economic recovery of the industrialized countries of Western Europe, which was made possible, of course, by the Marshall Plan. Had this recovery not occurred we would have considered our European aid dollars badly spent.[3]

If exports are to be increased, the challenge to our manufacturers is clear. They must meet foreign competition in the market place by offering superior products and favorable prices. For those of us who believe in the strength and resourcefulness of the free enterprise system, there is little doubt that American industry can increase its sales abroad.

The explanation for increased United States imports is not hard to find and lies in two major factors. The first is simply that European manufacturers are now able to penetrate the American market on a scale not experienced since the end of World War II. The evidence is all about us in the form of foreign automobiles, steel, machinery, and a wide variety of consumer products. The second factor is that, with the high level of employment and incomes, consumers are showing a preference for foreign goods, and this preference remained almost unaffected by the recession of 1958.[4]

We turn now to a consideration of the crucial question: What is being done with the dollars earned through exports to the United States and as a consequence of our military expenditures abroad? The answer to this query is simple: At the end of 1959 foreign commercial and central banks held between them in roughly equal amounts about $19 billion in bank deposits and short-term loans, which is about the same as United States gold reserves. In addition, central banks, mostly of the European nations, have converted about $3.4 billion of their dollar holdings into gold in the past two years.

The size of the dollar and gold reserves now held by the principal nations of Europe, especially Britain, France, and Germany, is one of the major accomplishments of the decade of the 1950's in the area of international economic relations. The reasoning behind this statement is simply this. Trade among the free nations of the world on the basis of costs and prices is possible only if currencies are convertible and exchange rates stable. Yet it is obvious that currency convertibility depends upon a minimum amount of monetary reserves—gold and foreign currencies held by the central banks of the major nations. Without adequate gold and dollar deposits the countries of Europe could not permit the conversion of domestic deposits into deposits in the United States. To do so might seriously threaten the stability of their monetary systems. Beginning late in December 1958, Europeans judged their gold and foreign currency reserves adequate to permit a high degree, though not complete, convertibility. This was the day America had been waiting for; trade controls could now be relaxed or removed and commerce could move again on a price basis. It is because of these considerations that Americans should look with favor on the dollar surplus. It is not a situation to be lamented but to be applauded.

By much the same line of reasoning, it can also be argued that the dollar reserves owned by foreign commercial banks are all to the good. These banks need and must have working dollar reserves if commerce is to flow on an ever-expanded basis. And right here it is to be emphasized that in the years to come foreign dollar reserves can be expected to exceed by two or three times our gold supply, as an ever-expanding world commerce is financed in New York. The prophets of gloom and doom who consider such an eventuality as disastrous simply do not understand the basic concept of bank deposit creation by means of fractional reserves. This principle holds good for international as well as for domestic banking practice, as has been so well demonstrated by British bankers who, through sterling, finance about 40 per cent of world trade with very small gold reserves. The growing importance of New York as an international money market gives added weight, however, to the oft-repeated statement that America's greatest contribution to world growth and peace lies in its determination to maintain a strong economy—free from depression and inflation.

In sum, the present status of the balance of payments of the United States is most certainly not one to cause alarm. It is a situation to which we have contributed substantially over a dozen years or so and, had it not developed, our heavy investment in Europe's recovery would have been a great loss and disappointment. The United States dollar is strong, not weak. The American industrialist is on notice that the world is not his oyster; he must compete for sales abroad, and this is precisely what he is doing.

---

3 One of the fruits of this accomplishment consists of a revitalized and increasingly competitive world market. Buyers in foreign markets now have a choice of sources of supply and at increasingly competitive prices. Producers in this country are, therefore, having to share their sales with German, British, French, and Italian manufacturers. The effectiveness of this renewed competition is reflected in lower exports. Moreover, there has been a strong movement in the last year or so of American enterprise into Europe. Many of our large manufacturers now have factories in Europe, and the products of these plants are sold to European consumers, and also in other areas of the world in competition with commodities made by parent firms in this country. The result is a two-way attack on our foreign sales.

4 Certainly no rational person would suggest the desirability of a depression as one way to reduce imports. Neither would he advocate higher tariffs and other types of restrictive measures, since the consequence of such action would be to deny consumers goods they want. Another result would almost certainly be a reduction in exports. Foreign trade is a two-way street. There is no sound reason, therefore, to argue for devising ways and means to limit imports; on the contrary, they should be encouraged as one way to increase exports.

Price and Term Competition

ERNEST W. OGRAM, JR.

The story goes that a Brazilian importer once wrote to prospective suppliers in the United Kingdom, in the United States, and in Germany with the request that he be furnished with price quotations for a certain kind of machine. The British concern replied with a "well-worded," conservative letter, listing prices, and to the effect that its products were second to none. The American firm sent a fat, slick-paper catalog with beautiful multicolored illustrations. While the importer read the letter from Liverpool and studied the catalog from New York, the door opened, a couple of Germans walked in, pointed to a truck outside, and asked, "Where can we put it, Senor?"

The story is of course not true; nevertheless, German competition has been increasing. The passage of time changes circumstances, and with these changes must come a reappraisal of policies. The dollar shortage was resolved in 1958. Ever since, American exporters have become increasingly aware of foreign competition particularly from Germany and Japan, and to a lesser extent from the rest of western Europe.

In most cases, international competition is based on the same factors as is competition in the domestic market—such factors as absolute product quality; price per se and relative to quality; delivery schedule; advertising outlays in the case of branded goods; post sales' service; and such other considerations as presentability, multipurpose utility, economy in use, terms vis-a-vis credit, and, finally, the success of research and development programs. Of these, price and term competition take on added significance in the overseas markets.

In many areas of the American market, prices can be high provided the quality is superior or to the extent that some degree of snob appeal is present. Foreign markets, on the other hand, are almost invariably poorer in terms of per capita income. Thus, overseas customers frequently base their decision to buy a particular item solely on the price differential.

Term competition in the domestic market has been standardized in most sectors of our business community by traditional buyer-seller relations. Moreover, these relations have been evolved by a credit-clearing system which is unequaled elsewhere. Local monetary conditions, credit practices, commercial usages, and interest rates have become an important component of "value" in many foreign countries. Thus, as a result of price requirements and resale financing, terms have come to play a crucial role in many international transactions.

Prices quoted by foreign suppliers to our prospective overseas customers are usually highly competitive with our own for a number of reasons. For one, labor in most other countries is cheaper than in the United States, and in many cases this is not offset by proportionally lower productivity. Secondly, exports of other countries are at times subsidized or indirectly supported by government tax rebates. Thirdly, foreign suppliers can generally quote lower delivered prices because often quality does not meet the standards developed in our own market. Finally, internal and external freight rates at the disposal of other countries are often lower than our own, resulting in a reduction of ultimate landed cost.

As to terms, it should be pointed out that the effect of government-sponsored export guaranty agencies of other countries enables the shippers in these countries to offer extended terms which they, by themselves, could not possibly offer. In addition, swing credits are often included in bilateral trade agreements which, on a country by country basis, for a time enable one party to buy more than he is selling in return.

Taking into consideration what has been outlined so far, the question then arises, "What can American exporters do to meet the threat of foreign price and term competition?"

In some cases, domestic manufacturers are able to produce models especially for the export trade which cost less than those produced for the home market. In this connection, marketing research can be of help in determining the potential of these markets. Other shippers are selling abroad at prices below those quoted in this country, assuming the destination country has no antidumping laws on its books.

Certain costs in manufacturing in the short run are fixed regardless of output. Thus the greater the volume of production up to capacity, the greater the reduction in per unit fixed costs; and the higher the ratio of fixed to total costs, the greater is the possibility that average unit cost will be declining up to capacity. A second possibility exists if the increase in per unit variable is offset by the decline in per unit fixed cost; then average unit cost will be constant. It appears therefore that in either of the above cases higher ultimate profits for American exporters could result from an expansion of overseas sales by either offering a basic model tailored for the export market or by quoting prices abroad below domestic levels.

If American firms are to remain competitive in the future, productivity to some extent must be export biased. Improving technology must become an

integral part of any long-range planning for export markets.

When it comes to term competition, U. S. firms have one basic disadvantage. We are not backed by government-supported export insurance plans of the sort covering shippers in western Europe. In spite of this, however, American shippers out of their own funds can offer comparable terms, except against those sometimes granted by the Communists. In regard to terms, the Federal government might assist domestic exporters by making certain that credit accommodations for American firms are no less favorable than are those granted by export credit agencies of foreign countries.

Often we fail to realize that business transactions abroad are carried on along more personalized lines. Personal relationships in trade and banking take on added significance abroad compared to our own country. Failure to place this consideration in its proper perspective has undoubtedly cost us many dollars in lost foreign markets. Each foreign market appears to be quite different from every other market; and unless a shipper knows his market thoroughly, with all its intricacies and intangibles, he cannot hope to make many sales. This points up the need for greater emphasis regarding export market research. Although the above factors are not directly related to price and term competition, nevertheless they are fundamental in any rivalry for overseas markets.

If we can assume relative price stability and if American firms give the same attention to foreign sales as they habitually give to their domestic counterpart, then U. S. shippers will at least be able to hold and possibly increase their share of the world market.

The Deficit in the U.S. Balance of Payments

BASIL A. WAPENSKY*

The balance of payments problem drives home a fundamental fact or two about economic life that warrants repeating from time to time. One, the United States and the rest of the world are intimately interdependent. We do not live alone in isolated igloos. Secondly, like the two sides of a coin, economic happenings may be viewed from different vantage points. So it is with the adverse balance of payments. What is a deficit to us is seen as a surplus to the rest of the world. What the U. S. lost in 1958-1959, other countries gained. Foreign governments and central banks have been able to rebuild once woefully-depleted gold and dollar reserves and, as a consequence, have substantially strengthened their economies. Gone is the dollar shortage, a critical problem in the earlier postwar era. The Marshall Plan, direct U. S. loans overseas, Point-4, and other assistance to devastated and to underdeveloped countries are bearing the pleasant fruits of progress. Yet the U. S. can afford neither the luxury of complacency now nor that of self-indulgent pity. The $3.4 billion deficit of 1958 and the half billion dollar larger one of 1959 are matters of serious concern.

Alarm over the balance of payments deficit was heralded by the $2.3 billion loss of gold in 1958, the largest by far in the decade and a half since the end of World War II. Although the gold drain was cut in half in 1959, the problem remains, the deficit is bigger. Instead of taking much gold last year, foreign governments, central banks, and others added to their already substantial, highly-liquid dollar claims on the United States. Short-term indebtedness to foreigners jumped over $4 billion since the end of 1957. Most of the increase has been invested in U. S. government and corporate securities and the remainder deposited in banks and other financial institutions, or invested in short-term bankers' acceptances and commercial paper. Had it not been for the exceptionally attractive security yields prevailing in the U. S. money market in 1959, foreigners doubtless would have converted more of their claims into gold.

U. S. short-term liabilities to foreigners on November 30, 1959, totaled $19.3 billion, all of which could be converted into gold, theoretically at least. On the same date, America's gold hoard stood just a shade higher, at $19.6 billion. The probability is practically nil that other countries would draw on our gold reserves to that maximum, if for no other reason than that sizable liquid assets holdings are needed to transact normal trade. Moreover, the leading trade nations appear now to have fairly adequate gold reserves for ordinary requirements.

*The views expressed in these remarks are entirely those of the writer. They do not necessarily reflect the opinions of the Federal Reserve Bank of Atlanta.

The problem, however, is more acute than it appears on the surface, since roughly two out of every three dollars in the U. S. gold stockpile is committed as a reserve supporting the nation's monetary system. By law, the twelve Federal Reserve Banks are required to maintain as a minimum a 25 per cent gold reserve behind their note and deposit liabilities. Viewed from this angle, the United States has over-mortgaged its gold supply.

Like a thermometer indicating that the patient has a fever, our dwindling gold stock, and the adverse balance of payments generally, are symptoms of impairments in our country's health. Economic diagnosticians are prescribing medicines sweet and bitter to cure the patient. These range all the way from an undesirable retrenchment through increased trade protectionism to launching aggressive sales campaigns in order to capture a larger share of the global market for American commodities and services.

One of the most important courses of action, to be taken in conjunction with others strongly emphasizing an expansion in international trade, is to prevent further debauchment of the dollar. Because this path demands rigorous self-discipline by consumers, labor, businesses, and governments, it is perhaps the toughest, and one of the most necessary to take.

A stable price level and, accordingly, a sound dollar is the basic foundation upon which an enduring improvement in the U. S. balance of payments can take place. Inflation handicaps American exporters; it prevents them from competing effectively with foreign producers whose countries have strengthened their economic position. The U. S. dollar is no longer the sole hard currency. It must joust now in the trade arena with Canadian dollars, British pounds, German marks, and others. And it cannot do that satisfactorily if weakened by inflation. Our gold loss and the balance of payments problem as a whole are inextricably linked to this. Through courageous monetary and fiscal policy, coupled with public understanding and support, the U. S. must labor to preserve a stable dollar.

The Current Foreign Payments Situation

EDWIN H. FLYNN

One must examine the foreign payments situation closely in order to establish the nature of the changes that have occurred in the balance of payments and the extent of the crisis. The trade surplus is quite low compared to the artificially high levels of Suez and its aftermath; but expectation is that it will increase in 1960 as exports, especially cotton and aircraft, expand relatively to imports. Private investment overseas has been running at a higher rate than pre-1956. Such an investment flow could compensate for a trade surplus, but a relatively large outflow, with a sudden decline in a trade surplus, would bring pressure on liquid reserves.

There are, of course, many other factors in the balance of payments, such as services, unilateral transfers, and government loans; but most of these items have been relatively stable. What seems to have happened is that imports declined less in the recession and rebounded faster in the recovery than did exports; and this, with a new higher level of private investment, suddenly produced a relatively large deficit in 1958, and increased the deficit in 1959.

If the projected increase in the trade surplus occurs, a reduction of the deficit to the level of the 1953-55 period can be expected. This is not to imply that the trade surplus alone is the key to the deficit, but that there are at least some self-correcting forces within the payments mechanism itself. The trade picture also provides us with a better idea of the true scope of the crisis and confirms to some degree the notion that forced-draft measures for contracting payments are not yet warranted. Foreign aid and military expenditures cannot be said to have caused the crisis, in that these expenditures have been relatively stable; and the suggestion that ending aid would eliminate the deficit seems superficial, since it is mostly tied to expenditures in the United States anyway. The recent extension of the tied-loan principle to all of the Development Loan Fund lending is also questionable, if its objective is to influence Western Europe and Japan to set up their own lending agencies to finance their own exports to underdeveloped areas. The provision of international development capital could be handled by the World Bank, or the new International Development Association, with better long-term pros-

pects for the level and viability of trade. And a practical objection, as well, is the further crystallization of the tied-loan principle, justifying similar tied lending and accommodating finance by other nations or groups of nations for their own monetary areas. This may reduce the pressure on the United States balance of payments, but it will not promote the development of truly international capital.

Also, since the balance of payments is the net result of all of our international transactions, corrective measures designed to restrict one element could easily be offset or compounded by autonomous or induced changes in other elements. A practical objection to proposals further to restrict imports is that the United States would most likely be hurt more than anyone else, in terms of increased prices and loss of choice to consumers, and eventual reduction of export income and employment. Even the pressure brought recently by the United States on its major trading partners to reduce their long-standing import restrictions on dollar goods is subject to practical limitations. The quotas which Britain and other countries did eliminate have been ineffective because of high prices, tariffs, sales taxes and excises, so that the changes are unlikely to increase exports. Europe and Japan are understandably wary of our motives, what with voluntary and then mandatory oil quotas; quotas on such things as woolen textiles; tax inducements to invest abroad; and the ubiquitous peril-point loophole hanging over existing reciprocal agreements legislation. United States' threats of "retaliation" against failure of others to reduce trade barriers seem doomed to failure, as others have little to concede unilaterally which would not involve basic internal policy changes, impossible without some kind of quid pro quo. So this pressure will likely produce only sops to try to prevent a renewal of protectionism here, and any real progress to be made via reductions in import restrictions must now come as a part of an international agreement or be negotiated on a reciprocal basis.

Present concern over the sudden appearance of a sizable deficit has pointed up one problem largely ignored over the last decade. With continuing deficits, a nation eventually becomes an international debtor, or loses all of its international liquid reserves, or both. The United States has accumulated short-term debts to foreigners until they are now about equal in amount to our gold reserves. Thus the real significance of the continuing deficit is that the depositors could start a run on the bank, and, unlike the banking system, the United States has inadequate central banking facilities available to assure liquidity. One control device is the rate of interest; an increase should reverse investment flow and make the holding of short-term claims more attractive. But the interest rate policy necessary to help retain funds in the country and avoid the loss of gold may not correspond with that policy which might be appropriate for internal affairs. Such lack of correspondence did not occur in 1959, but the size of the short-term claims and the continuing deficit mean that internal monetary policies can no longer ignore their international effects.

Thus, it seems that the essential nature of the current payments situation is that those correctives that are available are no longer a function purely of national policy. What is needed is a general reassessment of the United States' role in the world economy. Already the role of world banker may be beyond our reach, as it would require willingness to risk possible wholesale conversion of short-term claims to gold and the acceptance of the responsibility of maintaining the international purchasing power of the dollar, which is essentially what justifies its present importance as an international reserve currency. The decision will likely be that neither the dollar, nor sterling, nor any national currency can fully serve modern needs for international liquidity, and that a concerted international effort, perhaps through enlarging the role of the International Monetary Fund, is required.

excerpts from monograph

COTTON MANUFACTURING IN THE SOUTHEAST: AN HISTORICAL ANALYSIS

showing

TRENDS IN MANAGEMENT

by

Jack Blicksilver

In the beginning, northern talent was used

As with working capital and mill machinery, managerial talents and supervisory skills for early cotton manufacturing in the Southeast were provided by a collaboration of northern and southern interests. The southern-born but northern-trained mill engineer, Daniel A. Tompkins, who well understood the problems involved, argued that "the ordinary young man or young woman found in any part of the South can be trained to do the ordinary operations in a cotton mill in two or three weeks," but that the superintendents and bosses must also understand the functions of the different parts of the machines and their adjustments. These latter, the manufacturer "could well afford to hire in the East and bring South."[1] Since the machinery builders felt committed to the proper erection and operation of their machinery, they often recommended that an experienced man from the machine shop or from a New England mill be employed. In some cases those who set up the machinery stayed on in a supervisory capacity.

Illustrative of this migration of northern skills is the case of the Lindale, Georgia, plant of the Massachusetts Cotton Mills, established in 1895 for the manufacture of narrow sheetings, drills, and osnaburgs. During the first crucial years, not only the agent but also the superintendent, overseers, and many of the skilled workers were recruited in the North, particularly from the Lowell area, home base of the parent company. Of the subordinate personnel who were assigned the job of putting the new plant in operation, some stayed only a few days or weeks, but others remained for a much longer period. One served as weaving supervisor for two years,

Note: Dr. Blicksilver's monograph of this title, published as Bulletin Number 5, Studies in Business and Economics, may be obtained, by request, from the Bureau of Business and Economic Research, School of Business Administration of Georgia State College of Business Administration.

1 Daniel A. Tompkins, **American Commerce, Its Expansion, A Collection of Addresses and Pamphlets Relating to the Extension of Foreign Markets for American Manufacturers** (Charlotte, N. C.: published by the author, 1899), p. 63.

while a mechanical engineer who arrived from the North in 1912 stayed until his death in 1931.

Of course, the recruitment of well-trained supervisory and managerial personnel was quite natural when a northern mill erected a branch plant in the South; but if the southern-owned mill was large enough to afford hiring an experienced millman from the North or Europe, it too proceeded to do so.

When the Laniers of West Point obtained their machinery from an English firm they also acquired the services of Thomas and William Lang, a father and son combination who brought to the banks of the Chattahoochee the latest techniques available in England. The elder Lang has been credited with obtaining the "best production at the lowest cost of any other duck mill in the country."[2]

Not all the supervisors and overseers imported into the South were successful. In some cases there was jealousy and considerable resentment. One observer noted that the overseers were:

> . . . accustomed to look upon the operatives, during working hours at least, as a part of the mill equipment and to neglect personal peculiarities. They forget that they are not dealing with crystallized mill traditions developed through a hundred years, but with individuals fresh from rural independence, engaged in a new industry.[3]

Some northern overseers got along famously with their men, but the fact that others did not (some mills were unable to recruit skilled personnel in the first place) simply meant that Southerners were given the opportunity to rise in the industry. The speed with which they were able to do so varied, of course, with the nature of the job and the skill demonstrated by the individual man. The success of many of the smaller cotton mills of the South during this period is at least partially explained by the intense energy with which the young, aggressive superintendents threw themselves into their work, "knowing that a man of unusual ability and success will not long escape the eye of the managers of the larger mills."

* * *

Leadership came from native sources

Although skilled management and technical competence were in some measure imported during the early years of large-scale cotton manufacturing in the South, the initial impetus and driving leadership were derived almost exclusively from native sources. True, in South Carolina a number of pioneers in cotton textile manufacturing were transplanted New Englanders. But, as in the case of a number of northern-born Atlanta promoters of Exposition Cotton Mills, far from being carpetbaggers, they were generally long-time residents in the region. They were far outnumbered, however, by men who were born and reared in the South. Contrary to venerated legend, the vast majority of native-born leaders were members of the middle class rather than representatives of the landed aristocracy. Only a few had prior experience in manufacturing, but in most cases they came from families with business interests in the areas of railroading, banking, or commerce, or had personally participated in one or more of these areas of economic activity.

Moreover, while some of their activities as mill executives smacked of the paternalism and altruism usually ascribed to the economic elite of the South, basically they were motivated, as were their northern counterparts, by economic considerations. They have been aptly described as "Southern Yankees." A contemporary student of their rise to power and affluence concluded that "sentiment in them does not interfere with the strict working of the principle of self-advantage. They are cold, shrewd, farsighted."[4] Thus, fifty-year-old Braxton B. Comer might very well have started Avondale Mills partly as a "civic enterprise" at the request of the Birmingham Chamber of Commerce; but the final success of this enterprise, which today employs over seven thousand, was due basically to his business contacts which enabled him to obtain the necessary funds to build the initial mill after many of the local citizens failed to make good on their promised subscriptions, and to his strong family and personal business background in cotton factoring, wholesale merchandising, milling, and banking.[5]

* * *

The leaders were experienced, aggressive, and hard-working

Some of the successful textile magnates of this period had a diversified business background before entering cotton manufacturing. Robert I. McCaughrin, foremost promoter of the Newberry Cotton Mills of South Carolina, in 1883 was proprietor of the town's leading dry goods store, head of the local bank, and president of the Greenville and Columbia

---

2 Joseph L. Lanier, **The First Seventy-five Years of West Point Manufacturing Company, 1880-1955** (New York: Newcomen Society in North America, 1955), p. 11.

3 Holland Thompson, **From the Cotton Field to the Cotton Mill. A Study of the Industrial Transition in North Carolina** (New York: The Macmillan Co., 1906), pp. 206-207.

4 **Ibid.**, pp. 8, 215.

5 Dwight M. Wilhelm, **History of the Cotton Textile Industry of Alabama, 1809 to 1950** (n. p., n. d.), pp. 104-105.

Railroad. His successful business career was certainly an important factor in making available to Newberry Mills long-term credit, the acceptance of mill stock by northern machinery builders, and an offer to discount the mills' short-term loans by northern banks. In Virginia at about the same time, six citizens of Danville, none of whom was "even remotely connected with the textile industry," received a charter for the establishment of the Riverside Cotton Mills, later to be renamed Dan River Mills. The dominant figures in this group were the three Schoolfield brothers, whose business activities embraced clerking in a general store, merchandising, tobacco manufacturing, and directing a short line railroad.

Business backgrounds in operating railroads and factoring cotton seemed conducive to later careers in textile manufacturing. Three presidents of the Greenville and Columbia Railroad later headed cotton manufacturing firms, one of them being Henry P. Hammett, who organized the Piedmont Manufacturing Company. In Georgia, the Bibb Manufacturing Company was established in 1876 by three stockholders, one of whom was H. M. Comer, a successful cotton factor of Savannah. When the organization was expanded two years later, J. B. Duckworth and Francis Muir, Liverpool cotton merchants with an office in Savannah, invested in the firm. Among the Charleston cotton merchants who were attracted to the potentialities of the South Carolina Piedmont for the manufacturing of cotton cloth was Francis J. Pelzer. He purchased stock in the Graniteville and Clifton mills, became a director of the Langley mill, and then early in 1881 he invested $100,000 in a mill on the Saluda River, a mill which was to bear his name. The merchant community of Charleston took the lead in buying the remaining $300,000 in stock.

* * *

The sales-oriented millmen were among the most successful

For direct control of the mill, perhaps the best training for the decisions that had to be made in regard to what to produce and where to market it was in retail or wholesale selling. The sales-oriented millmen were among the most successful during this period. Bobo Simpson Tanner is an archetype for this group. Although he spent some time in a business school in Baltimore and later demonstrated an excellent grasp of the basic elements of accounting and business management, Tanner undoubtedly received his most effective business apprenticeship during the three years he spent clerking in Union, South Carolina, and the twelve years he was with the Elias and Cohen jobbing house. As a drummer on the road during most of this period, Tanner became intimately acquainted with the type of customers for whom he was later to produce his cloth. He made excellent use of this opportunity to learn "the designs they liked, . . . the quality of goods they needed, . . . the price they could pay."[6]

While Tanner was sloshing through the back country of North Carolina telling the country storekeepers what they should or should not buy, James W. Cannon was operating a general merchandising store in Concord. He was becoming distressed over the fact that low-income farmers were being forced to pay high prices for the goods they bought, and he was spending much of his spare time studying the small mills in the surrounding region. He entered the cotton manufacturing business by being named director of the Odell Manufacturing Company soon after its organization in 1879. A biographer has described Cannon as a Rockefeller-type, inner-directed personality: "He never played as a boy—he did not have the time. He never rested as a man, he did not know how to rest. His philosophy was work and save, expand; work and save and expand. . . . He had no patience with people who had no honor—no ambition." Furthermore, he was not public-minded and developed little of a social conscience.[7]

The salesman par excellence was Fuller E. Callaway. As a boy of eight he peddled spools of thread to housewives living in the countryside around LaGrange, Georgia. At fourteen he was working in a clothing emporium and at eighteen he opened a five and dime store. By the age of 23 he was operating the first department store in west Georgia. Employing wide-scale advertising and carload sales, he ran specials and had women standing in line for blocks holding coupons cut from his advertisements. An alert and intelligent buyer, he "was at his best when selling."

The personalities of men such as Tanner, Cannon, and Callaway tell us a good deal about the reasons behind the successful establishment of the cotton textile industry in the South. They were intensely devoted to their business activities. Cannon was a "human dynamo of energy. He expected all who were associated with him to be the same." Callaway's wife called him "an apostle of hard work." When he was married at the age of twenty he elaborately arranged a train and hack schedule so that he would miss only a single day's work. Although usually anything but visionary and idealistic, these men were courageous and venturesome. Their background as aggressive and daring salesmen helps explain the

---

6 Gerald W. Johnson, **The Making of a Southern Industrialist: A Biographical Study of Simpson Bobo Tanner** (Chapel Hill: University of North Carolina Press, 1952), pp. 19-29.

7 W. M. McLaurine, **James William Cannon (1852-1921), His Plants, His People, His Philosophy** (New York: Newcomen Society in North America, 1943), p. 24.

leadership of the South in electrifying its plants, adopting the latest machinery, and plunging so fearlessly into the export trade.

By 1922 the president of the National Association of Cotton Manufacturers conceded:

> The southern cotton manufacturers have built up an enormous industry in a short time. They have built it up by hard work and have acquired a very great knowledge of cotton manufacturing in a few years. . . . Those of us who know the southern cotton manufacturers admire and respect them. Those of us who do not yet know them should hasten to make their acquaintance. They can teach us a tremendous amount. The acquaintance will also be valuable if we have to leave Massachusetts and live among them.[8]

* * *

Later executives became more materialistic and pragmatic

The second generation of southern textile executives was more materialistic and pragmatic than the first. The sense of *noblesse oblige* which motivated their fathers in many of their activities was dying fast. The camaraderie between employees and owners of an earlier generation, the close personal relations and, in many cases, the real concern for the welfare of the workers were replaced oftentimes by an increase in social services which were, however, arbitrarily and mechanically imposed from above, without taking the wishes of the workers into consideration. Absolute control over the mill village was still maintained. As one discerning observer noted, the leaders of the southern textile industry were "thoroughly normal human beings who love power. . . . They will continue to hold absolute control of the cotton mills until education, ridicule, social criticism and organized labor-power break their control." While it was true, as he added, that "they will do many things for workers as a personal favor which they refuse to grant as an industrial right," the direct, personal, kindly interest in the welfare of the individual worker was largely missing. In the 1920's, "the Yankee cult of the Great Executive" was embraced by many southern millmen who proceeded to surround themselves with frosted glass and seldom bothered to prepare the workers for the efficiency experts with stop watches who began to invade the spinning rooms and weave sheds. Although the work loads in southern mills were often no greater and in some cases even less than those in New England before the stretch-out began after 1923, the nature of the work, the composition of the labor force, the greater strain of the night shift and the long hours actually worked by the majority of steady hands undoubtedly left some justification to critical comments regarding the appearance of cotton workers.

Imposition of increased work assignments in southern mills, often without sufficiently informing the working force of the necessity for the change and in some cases without fattening pay envelopes as productivity rose, led to bitter resentment and a number of strikes. A leading student of labor relations in the cotton mill has concluded in regard to the labor-management strike of 1929-1930 that "practically every strike in the South, in this period, whether organized or unorganized, demanded an end to the stretch-out."[9] Although in time many textile executives explicitly or implicitly confessed mistakes in the way in which they effectuated the changes, they stoutly defended increased work loads as essential to the economic survival of many firms and denied that they imposed excessive hardship on the workers. Spokesmen for industry declared the term "stretch-out" a misnomer, contending that it simply referred to a division of labor between the skilled and the unskilled, which provided that each would do the work that he was best qualified to do. The president of Proximity Cotton Mills, in referring to his denim plants, explained:

> We completely replaced the major part of our loom equipment, junking some three thousand old looms and installing in their place three thousand new, up-to-date, automatic looms. We rearranged the work by giving each weaver . . . 18 looms instead of 14 as previously. We took the unskilled task of cleaning, oiling and sweeping around the looms from the weaver and furnished additional unskilled labor to do this work.[10]

Not all employers were as generous in sharing the benefits of the increased productivity as was the executive quoted above, who contended that his full-time weavers' earnings were increased 20 per cent; but there is much justification in the viewpoint that the tempo of production could well have been speeded up, especially with the installation of more automatic machinery and the adoption of improved methods for handling materials. There was considerable truth in the statement of an experienced millman that "the textile worker is employed less continuously and on lighter tasks so far as physical effort is concerned, than is the case with workers in almost any other industry." A free-lance writer from Massachusetts who visited the West Point Manufacturing Company in December, 1929, observed the girls, wearing slippers, watching the machines for a break, and found their pace "slow, methodical. . . . They saved steps."

* * *

8 Robert Amory, remarks before National Association of Cotton Manufacturers, **Transactions**, 1922, p. 294.

9 Herbert J. Lahne, **The Cotton Mill Worker** (New York: Farrar and Rinehart, Inc., 1944), p. 156.

10 Bernard Cone, "Some Present Day Problems of the Textile Industry," address delivered February 3, 1930, before the School of Commerce, University of North Carolina (Charlotte, N. C., c. 1930), no pagination.

From experience mill executives learned the need for good "human relations" in their industry

As mill managements learned from the mistakes of their more impetuous neighbors, as they improved communications with their workers, and as they more successfully kept "the wheels of human relations well lubricated" through the varied activities of enlarged industrial relations departments, new methods and procedures were gradually introduced and work loads were increased. The extent to which this was accomplished was reflected in a study by the Bureau of Labor Statistics which disclosed that while output per man hour in the cotton textile industry increased 18 per cent between 1919 and 1929, from 1929 to 1941 it climbed 62 per cent.

Aside from installing the latest available machinery and imposing heavier work loads on employees, individual mills sought to convert losses into profits by reducing their overhead expenses. This could be done by curtailing social and recreational services and selling the highly subsidized mill housing to the workers. In regard to the company's supplying social services normally available to the citizen of the incorporated city, leading millmen generally continued to acknowledge that it was their duty to provide such facilities as public health service, schools, hospitalization, free medical and dental clinics, public nursing, sewerage, and garbage collection. In 1935 the president of the Bibb Manufacturing Company stated:

> No right thinking person would dare say that because a family lives in a mill village they are not entitled to the same advantages that are enjoyed by the citizens of other communities. If it is paternalistic and feudalistic for the mill owner to provide these facilities for those living in the mill village, then it is equally paternalistic and feudalistic for other municipalities to provide these facilities for its citizens out of tax money.[11]

* * *

The mill houses were sold to the workers

A combination of factors led to the movement to sell mill houses to the workers. As with welfare activities, some mill owners, while decrying the heavy expense to the company, continued to maintain that it was their "duty and responsibility" to protect the citizens of the village from immoral and irresponsible elements. Averred one mill executive in 1935:

> In any campaign started in the South to sell the houses in the mill villages, the first three pieces of property that would be sold would be one for a blind tiger, another for a bawdy house, and another for a center for labor agitators. Unfortunately it is an impossible proposition.[12]

Nevertheless as more and more mill executives became convinced that the capital tied up in mill villages could be far more profitably employed in mill modernization, as the younger generation of managers came to the realization that old time paternalism was neither needed nor wanted any longer, and as the very ownership of housing became "a strategic liability" for the mill in its dealings with the National Labor Relations Board, the movement to sell the houses to the workers began. The pioneering efforts of Burlington Mills in the early 1930's were followed by a few sales during most years after 1936, with the greatest activity taking place in the Carolinas. The peak prewar year was 1939, when some thirty villages were sold by a dozen companies. By the time the United States entered the second World War, approximately 25 firms in Georgia, Alabama, North Carolina, and South Carolina had sold a total of 7,000 houses grouped in 60 villages.

* * *

Following a period of wartime and postwar boom and then a long recession, hopes for the future seemed bright

The majority of leading southern producers noted their ability to produce and merchandise more effectively, as indicated in the success of the mills in reducing output by ten per cent during the first half of 1958 by scrapping aged machinery and cutting back operations to a five or four day week. Certain now that they had mastered the skills of management developed in other industries and confident that, with an increased reliance on branding, special products, and advertising, cotton would get a growing share of the consumer's dollar, they rejected the jeremiads of the fainthearted and granted to their workers wage increases averaging ten cents an hour.

Editor P. M. Thomas of the **Textile World** commented that while many mill managements have not profited from past mistakes and while the textile industry will continue to seek areas where workers will run more machines for less money, the southern producers still hold the keys to their future success. These are the continuing of technological progress and the employment of superior human relations tools.

---

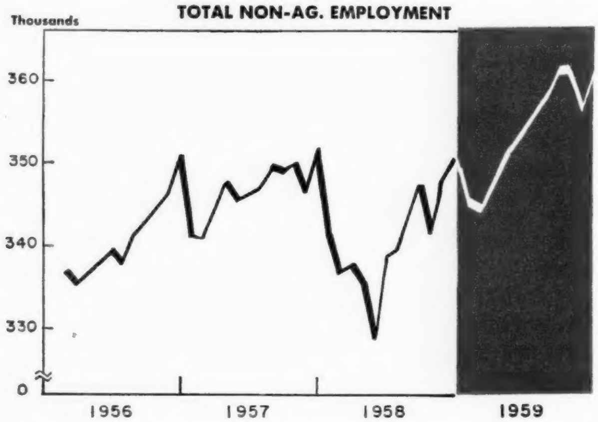
11 Anderson, in A. C. M. A. **Proceedings** (39th Annual Convention, 1935), pp. 63-64.

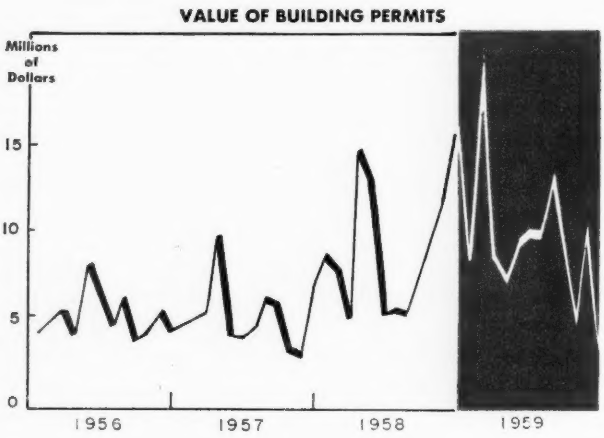
12 **Ibid.**, p. 64.

ATLANTA BUSINESS IN 1959

by John R. O'Toole

Atlanta Area Indicators



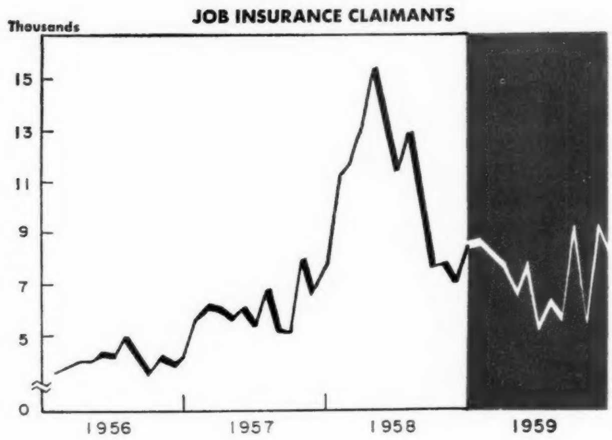


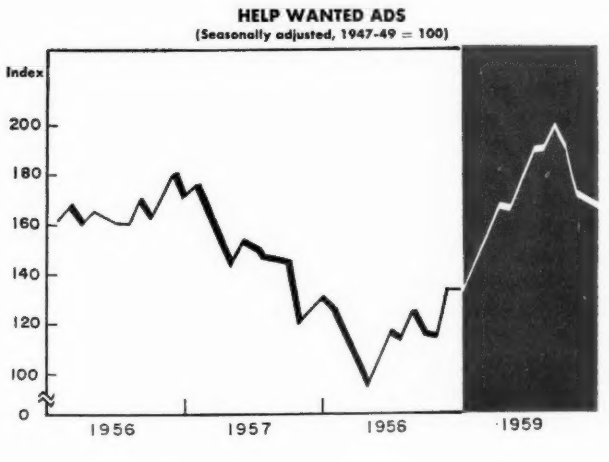
As the city of Atlanta turned from the year 1958 to the new year ahead, it was confident in the knowledge that there was no place for the economy to go but up. Mid-1958 for this city that was soon to embrace a million people had been clearly one of recession and disappointment. Employment in manufacturing had dipped to the lowest point of the decade, causing a loss of nearly 9,000 jobs since the previous year. In over-all employment, the city was straining against a swelling population and diminishing job opportunities. Only 339,683 people were drawing wages and salaries, the lowest number in three years, and those idled by the slump had doubled the number of job insurance claims and payments over any previous records. Help-wanted ads had not numbered less since 1954.

As the forecasts began to fly late in 1958, economists from both business and government predicted great things for the next twelve months in Atlanta. The one bright spot they could point to was construction prospects. Here, it was noted, was the clue to the forthcoming recovery. Having held strong in the face of generally depressed activity, during the recessed months of 1958, the value of building permits had finished the year 1958 by setting a new record high for the last quarter of 1958. This strong finish was also enough to make the entire year's total of $108,157,444 a new record, 9 per cent better than the previous year. Thus, with the outlook for construction so favorable, 1959 was, they said, going to be a year of recovery and prosperity for Atlanta, Georgia.

From the vantage point of 1960, it appears that the predictions were sound indeed. Not even a nationwide steel strike seriously dampened the boom that Atlanta enjoyed in 1959.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company; Bank data from members of the Federal Reserve System only. Information in Tables I and II from the Board of Governors, Federal Reserve System.





Just as expected, construction activity was the strong starter. After a mild decline in January, the value of building permits set new records in February ($20,588,611) and March ($8,344,484) over the same months of any previous year. In turn, the first quarter of 1959 produced the highest volume of permits ($36,919,515) on record for any one quarter. But this was only the beginning. New records appeared in July ($7,503,817), August ($13,044,-402), and September ($10,191,259). All of this added up to a total of $113,756,488 in construction permits for 1959, the highest annual figure ever recorded and a five per cent gain over 1958, itself a record year.

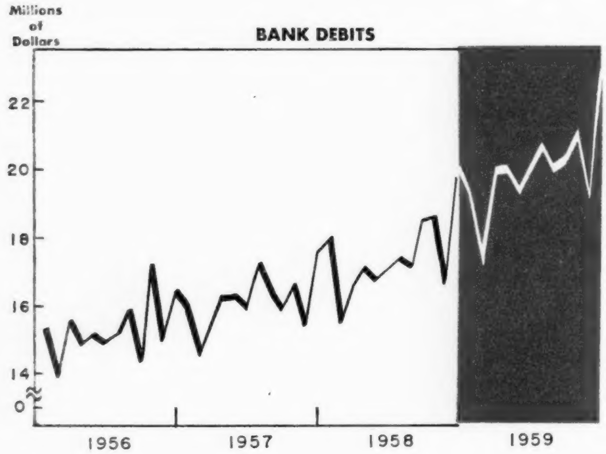
Along with this, the number of workers employed in construction started setting seasonal records from the very first month of the new year. Though the figure never reached the anticipated total of 2700 workers, *every single month of 1959 was a new record vis-a-vis the same month in any other year.* It was not surprising, then, that the year's average of 23,708 workers in construction indicated a gain of 2,829 workers (13 per cent) over 1958.

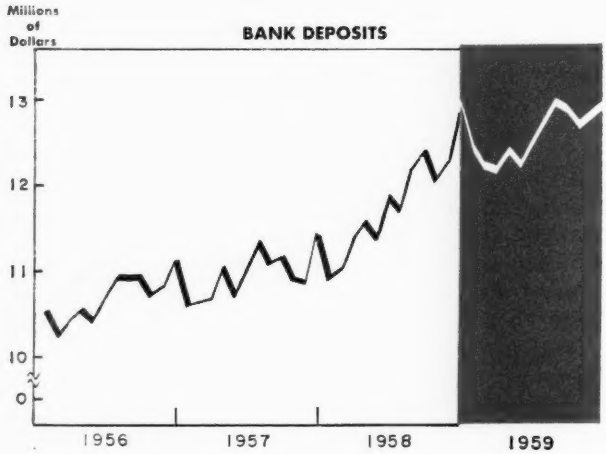
Manufacturing employment, the hardest hit of any of the major employment groups in 1958, began a steady recovery in 1959, gaining about 500 new workers a month until the steel shortages caught up with Atlanta in November. The result was a loss of 5,650 manufacturing jobs in the space of one month! Following the national pattern, most of these were in the auto plants.

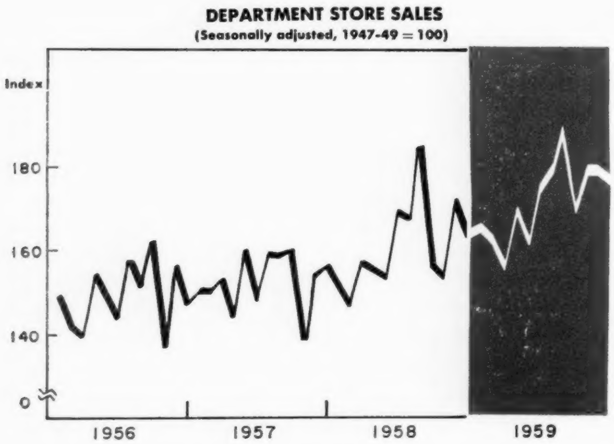
Just as the strike was settled and workers were being recalled to the auto plants, Lockheed Aircraft's Georgia Division was forced to drop around 1,000 skilled workers in Marietta due to an Air Force contract cancellation. Struck with this one-two punch in the latter months of 1959, manufacturing employment finished the year feebly with a last quarter's average of 83,300 jobs as compared to the first three quarters' average of 85,372 jobs. It thus became the only major group that failed to show an over-the-year gain.

Aside from the manufacturing picture, over-all employment was good in 1959. Most of the layoffs which occurred in auto and aircraft production were somewhat cushioned by gains elsewhere, particularly in retail trade. Thus, total nonagricultural employment fared pretty well, even through the last quarter of the year, finishing with an all-time record number of workers, 360,900. On the average, about 2,000 new jobs were being added to nonagricultural employment every month.

Another favorable dimension of the labor picture







was seen in help-wanted ads, which showed a strong demand for labor in 1959. The linage was 50 per cent greater than the previous year.

Did the Atlanta Area's growth keep abreast with the entire United States? Yes and no. On the bright side, our growth in non-farm employment and our spectacular increase in bank debits, a good indication of spending, both surpassed the national average gains. (See Table I.)

The soberer side is seen in the value of building permits which, impressive as it was, increased only half as much as the rest of the nation in 1959.

The 5.3 per cent increase in weekly earnings of factory workers experienced by Atlanta was less than the national gain of 7.2 per cent. Unfortunately those figures for 1959 mean that Atlanta fell even farther below the national average manufacturing income. The same is true of average weekly hours, Atlanta showing only an .8 per cent increase as compared to a 2.8 per cent gain for the country.

Table I

CHANGES IN CERTAIN INDICATORS IN ATLANTA AND THE UNITED STATES FROM 1958 TO 1959

	Atlanta	United States
	%	%
Nonagricultural Employment	+ 3.7	+ 2.8
Manufacturing Employment	+ 4.1	+ 4.4
Construction Employment	+12.8	+ 4.4
Average Weekly Earnings (Factory)	+ 5.3	+ 7.2
Average Weekly Hours (Factory)	+ .8	+ 2.8
Value of Building Permits	+ 5.2	+11.1
Bank Debits	+13.9	+ 9.8

This goes right to the heart of the structure of Atlanta employment. In Table II it may be seen that while the nation had 31 per cent of its work force in manufacturing in 1959, Atlanta had only 23 per cent in the same group. Conversely, we had 28 per cent in trade as compared to the national average of 22 per cent, and 7 per cent in finance as compared to 5 per cent for the nation. Since trade and finance are not particularly high wage industries as compared to manufacturing, our higher than average percentage of workers in these fields caused the wage picture to be unfavorable when compared with the national average.

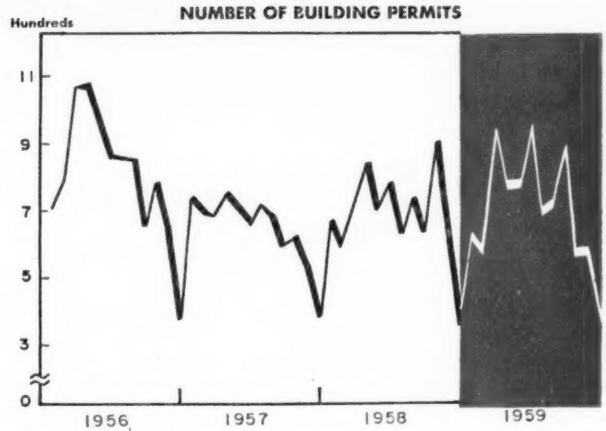
TABLE II

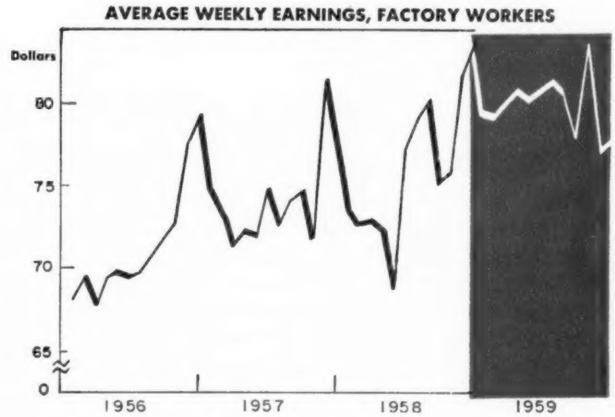
PER CENT OF NONAGRICULTURAL WORK FORCE EMPLOYED IN MAJOR GROUPS, ATLANTA AND UNITED STATES, 1959

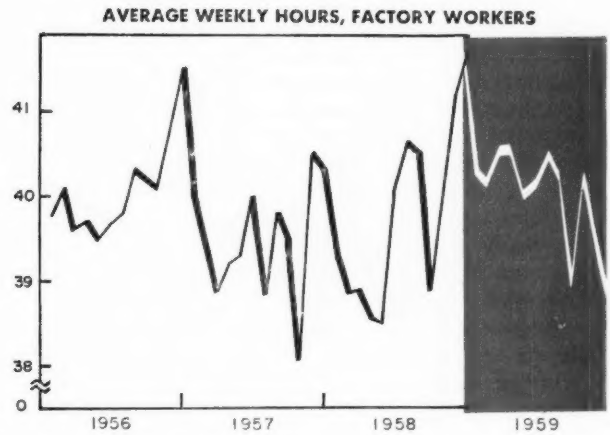
	Atlanta	United States
	%	%
Manufacturing	23	31
Contract Construction	6	5
Transportation and Public Utilities	9	8
Trade	28	22
Finance	7	5
Service	13	12
Government	14	16

Another aspect of the problem is that Atlanta's manufacturing expansion in 1959 just did not live up to expectations. Between 1946 and 1956, an average of 86 new industries a year settled in the Metropolitan Area, whereas in 1957 only 48 new ones were reported, in 1958 only 36, and in 1959 only 64. Furthermore, Lockheed Aircraft, one of Atlanta's long-standing bulwarks of manufacturing employment posted a disappointing record in 1959, closing the year with about 7 per cent less jobs than in 1958.

In summary, the year 1959 for the Atlanta area was one of recovery from some of the economic misfortunes of 1958. Nearly all indicators showed appreciable increases, particularly construction activity, bank debits, and nonagricultural employment. Hours and wages among factory workers though greater than in 1958 did not match national gains. The heart of the problem seems to be in Atlanta's lower-than-average per cent of the work force in manufacturing. More manufacturing is needed if Atlanta is to achieve its full economic potential.







Charts by Loraine McCord

THE MANAGEMENT FORUM

Some Thoughts on the Nature of Business Leadership

In defining leadership, it is often said that one man out of every thousand is an expert on leadership. Unfortunately, you run into this one man every day.

The executive realizes that the perpetuation of his organization is dependent upon the acquisition of individuals who are capable of functioning in leadership roles; but, unhappily, he seems to have found little value in much of the business literature dealing with leadership. For example, although there are great quantities of material pertaining to the nature of leadership, leadership training, and related areas, the writers in this area of concentration cannot agree upon a suitable and acceptable definition of the term "leadership."

To add chaos to an already confused situation, they talk about leadership traits and characteristics and then admit that leadership is too nebulous a phenomenon to be treated in this manner. They talk about leadership training, without telling us how to separate the leader from the non-leader. Furthermore, a careful study of literature in the area of management and related disciplines brings out only too clearly a type of general confusion that centers about an understanding of the role of the manager as opposed to the role of the leader. Certainly, we all recognize that the *ideal* situation would be where all leaders are managers and all managers leaders, but you well know that often the individual who appears to be the informal leader of a particular department could not necessarily function in a position of formal administrative leadership at a higher echelon of activity.

The Secure Manager

Basically, the manager is dependent upon the quality of his subordinates, and the secure manager takes great pride in developing his subordinates. This is in direct contrast to the situation where you have the insecure individual who considers others as a direct threat to his own position, and who jealously guards the allocation of duties, responsibilities, and authority to the point that he becomes a "do-it-yourself" expert, rather than a manager. The point is that the effective manager provides for full utilization of the skills and abilities of those about him. The greater the utilization of these factors, the more individuals will tend to become a part of an enterprise and the more easily can organization objectives be attained.

A Differentiated and Diverse Role

The role of the manager is both differentiated and diverse. It is differentiated to the extent that his work role is distinct from the work role of the rank and file employee. The manager is more concerned with human problems than technical dilemmas. He is a planner. The diverse aspect of the manager's role is that the manager must be many things to many people, while, at the same time, appearing to behave in a consistent manner. His adjustment is contingent upon his formal operating level and relative position in the informal organization structure. Even though continuous adjustment must take

---

Note: Beginning a series of articles arranged by Professor Francis J. Bridges, Department of Management, School of Business Administration of Georgia State College of Business Administration.

Mr. Rich's article is a condensation of a speech made to the Georgia Executive Management Seminar, Georgia State College of Business Administration, January 29, 1959.

place, the manager must be able to carry out the onus of his role in an effective manner.

Business Leadership in a Changing Universe: The New Look

What I have implied in these opening words is the fact that I will not presume to oversimplify this complicated subject with a concise definition. Rather, I prefer to ruminate a bit about our changing world; the explosive changes and challenges that form the backdrop of our business activities today. For it is only when we see our world in proper perspective that we can focus and measure its demands upon human leadership.

We see that the "new look" is not only a fashion phenomenon. For at least a decade, business has been getting just as dressed up with a new kind of economic couturier who has sponsored some important new ideas that are just as eye-catching as anything that has appeared in the Easter parade. What are the new policies and trends that have recently emerged in the world of business leadership? I shall list a few:

1. Business leadership has become a multidimensional social and economic activity.
2. The new business leader not only wears the mantle of administrative leadership, but he is regarded, and rightfully so, as a bellwether of all facets of twentieth century existence.
3. Today's responsible business leader is painfully aware that change and survival are literally synonymous.
4. The effective leader understands fully that enterprise success is to no small extent contingent upon his ability to attain company objectives through the willing efforts of others.

Business Leadership: A Portrait

Let us move on in an attempt to list some of the characteristics of a good business leader. First of all, today's business leader must be an effective human relations practitioner. This is essential, for good human relations is good business, and work, after all, is a social as well as an economic function. Second, the good manager realizes that worker satisfaction involves more than pleasant physical surroundings and high wages. Third, he is aware of the significance of his ordinary, daily contacts and experiences with his workers. Fourth, the good manager works *with*, not *on* people. Fifth, he is more of a teacher than a manipulator. Sixth, he understands the other fellow's point of view. Seventh, the good manager combines scientific methodology with a sound measure of empathy. Eighth, he recognizes the significance of the work group and is able to direct the activities of these groups in a manner which fosters the development of strong ties between the individual and enterprise.

In Retrospect

First, we have touched upon the demands placed upon a 1960 business leader. Second, we have tried to list a few leadership characteristics found in a good business leader. Having done this, I should like to touch upon a few simple techniques and rules that help build a manager to the posture of image of leadership in the minds of his associates and the public:

1. He must exercise objectivity at all times. His decisions must be based upon the necessities and welfare of the enterprise as a whole, ahead of those of *any* individual, including himself.
2. He must be tough-minded, but completely fair-minded. His decisions must be devoid of all prejudice and pride of authorship.
3. He must be firm. He must have conviction without sacrificing flexibility.
4. He must be direct. His relationships with his associates must have clarity. He must eliminate heat and emotion and sarcasm in his every attempt to foster his point of view. He must be able to convey ideas simply and directly, by spoken and written word.
5. He must set standards of performance, both by example and precept, and he must understand the administration of discipline.
6. He must never forget that his *first* responsibility to his organization is to teach and to stimulate others to want to learn.
7. He must know how best to divert and use his own talents. The exception method of management calls for him to so use and disperse his own time as to concentrate on those areas of activity most urgently in need of correction.
8. He must know his own weaknesses and limitations and strive to supplement them with appropriate staff help and self-improvement.
9. He must constantly strive for perfection, so that neither his enterprise nor his managers ever feel that a goal has been attained.
10. He must have enthusiasm.
11. He must have imagination.
12. He must have both mental and physical vigor.
13. He must have a sense of dedication and motivation and driving power that is like a great generator.

This is my concept of business leadership. I know of no one human being who quite meets the standard. If you can find one who does, please let me know. I'd love to hire him!

THE SOUTHEASTERN CORNER

ALABAMA'S ARGICULTURE

by

Warren A. Walker

In this, the last of a series of four articles dealing with the economic base of Alabama, we shall consider some of the agricultural trends.[1]

1 As in the earlier articles of this series, unless otherwise stated the statistical material used is extracted from research projects of the Bureau of Business Research of the University of Alabama and the Alabama Business Research Council.

Classes of Farms

The 1954 Census of Agriculture divided farms into four economic classes: commercial, part-time, residential, and marginal. At the time of this census only 34 per cent of the farms in Alabama were considered to fall within the commercial classification. Even this figure represents a one per cent per year increase from the 1950 census. During this same period farms that were classified as marginal were declining at the rate of about two per cent per year.

This tends to lend confirmation to the statistics quoted earlier: that the small marginal farm units are in the process of being absorbed into larger and more productive farm units.

It should be noted that the terms "part-time" and "residential" have specific meanings. Part-time is used to refer to those farms on which the operators spend more than 100 days per year in off-farm employment, or where off-farm income exceeds on-farm income. In the case of residential farms the value of farm products sold may not exceed $250 per year. From this it will be seen that these are hardly more than large gardens from which some of the produce is sold, not farms in the usual economic sense. Approximately one farm in every six in Alabama falls into this category.

These trends and characteristics are not unique to Alabama. They are a typical pattern in the southeastern states, and to a lesser extent for the country as a whole.

Basic Trends

The agricultural economy of Alabama has some features in common with those of other southeastern states. One of these is a drastic reduction in the number of farm workers over the past quarter of a century. In the case of Alabama this amounts to nearly 400,000 individuals—from nearly 700,000 in 1935 to slightly over 300,000 in 1954. The number of farms also declined substantially during the same period.

Table 1

PERCENTAGE OF ALABAMA LAND AREA IN FARMS
(selected years, 1920-1954)

1920	1925	1930	1935	1940	1945	1950	1954
59.7	51.0	53.5	59.9	58.6	58.3	63.9	63.7

Source: Figures based on the Census of Agriculture 1954, Vol. 11, taken from **Flight From The Soil**. See footnote 1 in text.

During these same years the percentage of land area of the state devoted to agriculture has actually increased (see Table 1). In addition, the size of the

average farm has increased very substantially—from approximately 72 acres per unit in 1935 to more than 117 acres per unit in 1954 (see Table 2). This reflects a trend which has been mentioned in passing in previous articles: namely, the more capital that is invested in farm machinery the larger the acreage must be to utilize it effectively. On the other hand, if the farmer does not use machinery, his costs per unit of production place him in a non-competitive position.

Table 2

AVERAGE SIZE OF FARMS IN ALABAMA
(in acres, selected years, 1920-1954)

1920	1925	1930	1935	1940	1945	1950	1954
76.4	70.4	68.2	71.9	82.6	85.4	98.8	117.6

Source: See note to Table 1.

Uses of the Soil

In spite of the fact that a higher percentage of land in Alabama is being devoted to agriculture, the percentage devoted to harvested crops has declined by nearly a half in the past thirty years, the actual decline being from 40 per cent of agricultural land in harvested crops in 1925 to 23 per cent in 1954. (See Table 3.)

Table 3

DISTRIBUTION OF FARM LAND USE IN ALABAMA
(selected years, 1925-1954)

	1925	1930	1935	1945	1950	1954
	%	%	%	%	%	%
Woods	35	37	42	40	47	50
Pasture	21	23	26	33	34	42
Harvest	40	41	37	32	27	23

Note: Figures will not total 100 per cent due to some land being classified as both woodland and pasture.

Source: See note to Table 1.

The percentage of the soil devoted to woodlands rose to approximately 50 per cent by the mid-1950's, which is, incidentally, the same percentage as in Georgia. Land devoted to pasture has doubled during the past 30 years.

This shift in land use is reflected in the distribution of cash receipts to the farmers: a relatively steady decline in income from cotton and a relatively steady increase in income from cattle, calves, hogs, and wholesale milk.

Off-Farm Income

An important aspect of the farm problem is analyzed in the study **Flight From The Soil.**[2] This is that the small family farm has in many instances ceased to be an efficient economic unit. This observation comes about rather indirectly from the fact that 36 per cent of all farm operators had income from other sources, income which exceeded the value of agricultural products sold. Incidentally, this percentage compared quite closely with the number of farm operators who have neither tractor, horse, nor mule.

A substantial additional percentage had off-farm employment, but their income from these sources did not exceed their agricultural income.

Survey of Former Farm-Operators

As another part of the Alabama research project a survey was made of a group of 715 persons who had previously operated farms or who had previously been employed full time on a farm. The purpose of this survey was to get a cross section of attitudes of these people in comparing their present status with their previous one. It was broad in scope and covered such questions as working conditions, free time, degree of physical fatigue, housing, and attitudes about returning to farm employment.

The vast majority felt that they were much better off in almost every respect than they had been previously. Of those that replied to the question regarding working conditions, 72 per cent felt that their working conditions were better, and only five per cent felt that they were not as good. About one respondent in five said that there was not very much difference.

In regard to physical fatigue, 53 per cent felt that their present employment was less tiring than farm work, and only 13 per cent replied that their present type of work was more tiring.

The replies to the question on present housing followed the same pattern, with 73 per cent stating that their present housing was better than the farm house they left and only two per cent replying that it was less satisfactory. As in the case of working conditions, about one in five stated that there was not much difference.

Eighty-nine per cent reported that their earning power was higher and 76 per cent that their general standard of living was higher than it had been previously. Only two per cent stated that they had either less earning power or a lower standard of living.

Their attitudes toward returning to farm life were less well-defined, possibly due to emotional influences either pro or con. A substantial number did not want to return, but there was another large group that mentioned various money aspects. These in turn tended to divide into two subgroups. The first group included those who would like to live on a farm if they were not dependent on it for their income—i.e., "I would like to live on a farm after I retire." The second group represented those who said that they would like to return to farm life if they had enough capital to operate one on a profitable scale.

2 See footnote 1.

by
Stuart W. McFarland

FOREIGN TRADE AND GEORGIA

General Importance of Foreign Trade

It has been estimated that foreign trade, including both exports and imports, currently provides direct or indirect employment for about four and a half million workers in the United States. Employment of such magnitude generates much income for the American people in the form of wages, interest, and profits. In addition, foreign trade provides the nation with commodities which cannot be produced at home, or can be produced domestically only at high cost—products like coffee, tin, sugar, and bananas. Hardly an industry exists in America which is not in some way, in some degree, dependent on either exports or imports or both.

It is difficult to get a statistically-complete picture of the significance of foreign trade to Georga's economy. Although Georgia uses her ports at Savannah, Brunswick, and Bainbridge, part of her foreign trade involves facilities in other states (e.g., the ports at Mobile, Alabama, and Jacksonville, Florida). Some of the merchandise involved in foreign trade can be traced to its point of origin or destination, but much of it loses its identity during its processing. The various activities directly and indirectly involved in import-export trade generate considerable employment, with accompanying payrolls, for Georgians.[1]

Activity Through the Port of Savannah

Savannah, which accounts for the lion's share of foreign trade activity for the state, is well situated for trade with Europe, Latin America, and the Near East. The port of Savannah handles not only merchandise shipped from or to Georgians but also trade which has an origin (or destination) in many interior states, such as dried milk from Wisconsin en route to the Middle East.

Whereas in the years 1954 through 1957 the total value of goods exported through Savannah exceeded value of imports by a wide margin, the margin during that period varying between $14 million and $48 million a year, in 1958 and 1959 the relative picture changed. (See Figures 1 and 2 for the relative trends in value and volume of export and import shipments.) In 1957 the value of commerce through the port of Savannah reached a total of $196.5 million. The 1958 total showed a drop to $170 million, representing a 30 per cent decline in value of exports and an increase of twelve per cent in import values. This development is part of a recent

Note: This article was prepared under a research grant from the Bureau of Business and Economic Research of Georgia State College of Business Administration when the author was on the faculty of this institution.

1 A recent study of the Bureau of Business and Economic Research of Georgia State College of Business Administration, **The Impact of Georgia Ports Upon the Economy of the State**, by Jack Blicksilver and Mary H. Bowdoin, deals more specifically with employment and payrolls generated in the state by waterborne commerce. Parts of this study will appear subsequently in the **Atlanta Economic Review**.

TABLE 1
WEIGHT AND VALUE OF WATERBORNE EXPORTS*
SAVANNAH, GEORGIA, 1954-1959

	Millions of Pounds	Millions of Dollars
1954	696	77.7
1955	1,002	74.6
1956	1,072	94.4
1957	1,154	122.1
1958	717	86.1
1959 (Jan.-June)	372	37.1

*Shipments have been running about 95 per cent dry cargo and five per cent tanker. Excluded data are: in-transit cargo, Department of Defense cargo, household effects, shipments to U. S. possessions, shipments of vessels under their own power and afloat.

Source: Waterborne Foreign Trade Statistics, United States Department of Commerce. More recent data obtained from Atlanta office of U. S. Department of Commerce.

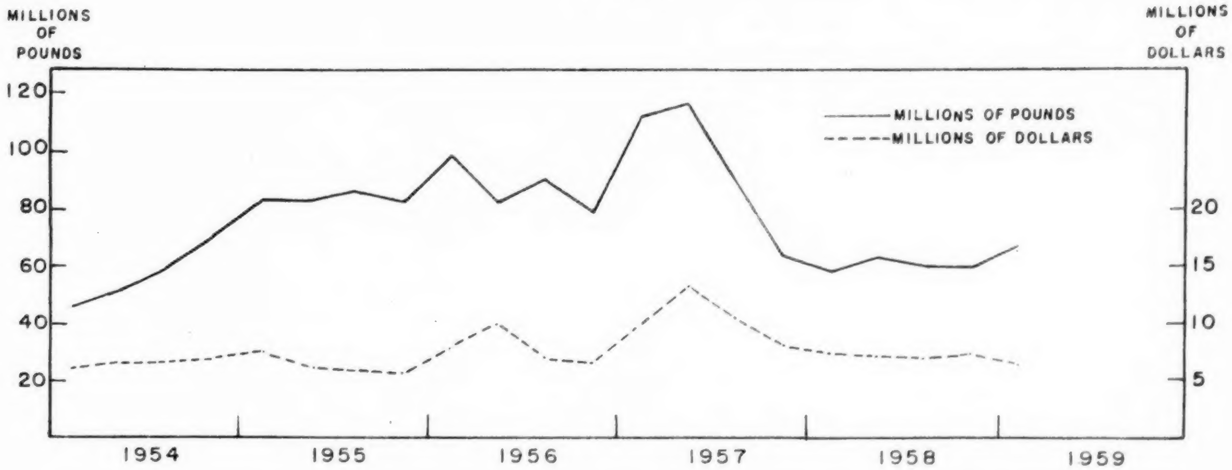
TABLE 2
VOLUME AND VALUE OF WATERBORNE IMPORTS, DRY AND TANKER CARGO*
SAVANNAH, GEORGIA, 1954-1959

	Dry Cargo		Tanker Cargo		Total**	
	Millions of Pounds	Millions of Dollars	Millions of Pounds	Millions of Dollars	Millions of Pounds	Millions of Dollars
1954	1,611	47.9	1,458	8.6	3,069	56.5
1955	1,736	48.2	1,881	11.7	3,617	59.9
1956	1,749	59.7	2,058	16.2	3,808	75.9
1957	2,212	57.7	1,971	16.7	4,182	74.4
1958	1,957	68.4	1,907	14.9	3,865	83.3
1959 (Jan.-June)	1,020	41.6	1,006	7.0	2,026	48.6

*For excluded data see Table 1.
**Total may vary from sum of items due to rounding.
Source: See Table 1.

FIGURE I

VOLUME AND VALUE OF EXPORTS* THROUGH PORT OF SAVANNAH, GEORGIA
1954 - 1959



*Three months moving average of monthly data. Quarterly averages plotted. For excluded data see note to Table 1. Brunswick, Georgia, shipments are included but not identified because of their very limited volume.

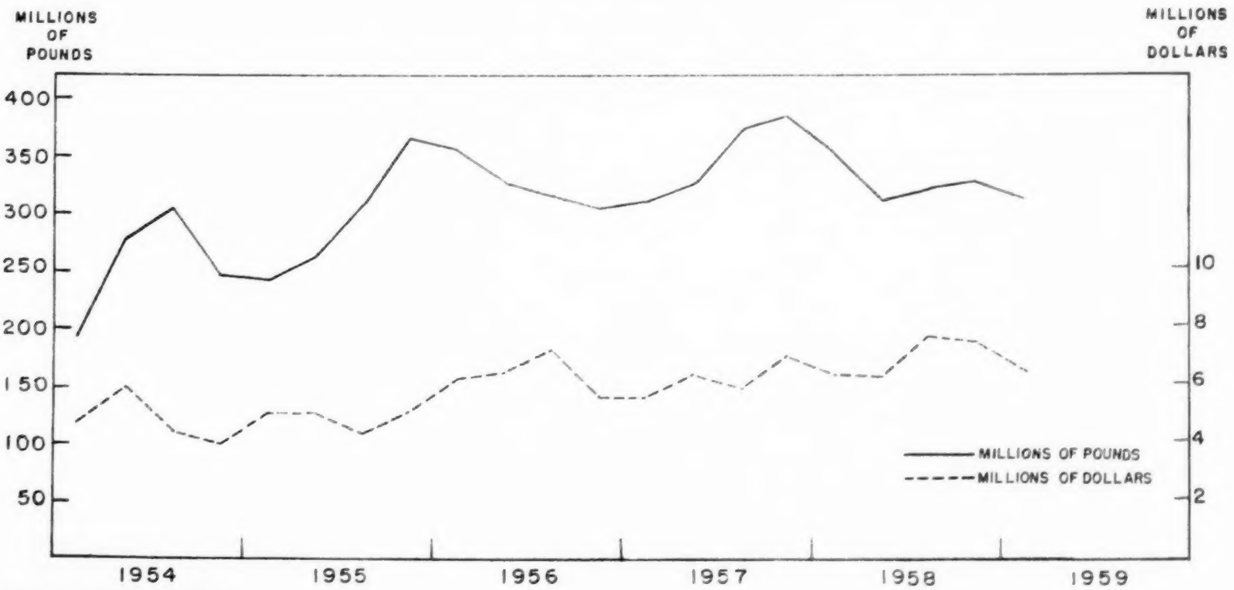
Source: **Waterborne Foreign Trade Statistics**, United States Department of Commerce, and **Statistical Abstract, 1958.**

national trend resulting in an imbalance of this country's international payments and a loss of American gold reserves.

Exports. The chief exports for Georgia have been concentrated mainly in these commodities: paper and woodpulp, paper products, naval stores, scrap iron and steel, textiles, chemicals, and machinery. Note the absence of that famous product, cotton, once the pillar of the Georgia economy and a leading export item from Savannah. Cotton now rarely moves out from Savannah except when the United States government launches a big surplus disposal

FIGURE 2

VOLUME AND VALUE OF IMPORTS* THROUGH PORT OF SAVANNAH, GEORGIA
1954 - 1959



*See notes to **Figure I.**

Georgia State College
of Business Administration
33 Gilmer St., S. E.
Atlanta 3, Georgia
RETURN POSTAGE GUARANTEED

SECOND-CLASS POSTAGE PAID
AT ATLANTA, GEORGIA

program. Indeed, as things now stand, Georgia draws cotton to itself from other states farther west for processing in her many mills.

Tonnage and value of waterborne exports through the Savannah port for 1954-1959 are shown in Table 1. Reversing the upward trend in exports is the 1958 data, which shows a pronounced shrinkage in tonnage and value.

Imports. The leading import items coming through Savannah have been tea, sugar, petroleum and petroleum products, jute, bags and bagging, fertilizer, gypsum, and fruits. The value of dry cargo is much greater than that of tanker. (See Table 2). Much of the tanker cargo is jet fuel destined for an airbase adjacent to Savannah. Generally speaking, the products imported at Savannah tend to be bulky and of rather low value per pound.

The Bainbridge Port

In 1957 the Georgia Ports Authority began operations in Bainbridge, Georgia. Facilities there are still in the development stage. To date the major activity has been the importation by barge of sulphur, a product used in large amounts in making chemical fertilizers. Flour and salt also come into the port in substantial volume. Much needed are commodities which can be exported profitably through the Bainbridge facility.

Southeastern Ports Volume

The 1957 volume of foreign and coastwise trade for southeastern ports is presented in Table 3. It will be noted that, relative to other southeastern ports, Savannah ranked third in volume of foreign imports and fourth in volume of exports. In coastwise shipping Savannah was sixth in receipts and fourth in shipments.

TABLE 3
COMMERCE OF SELECTED UNITED STATES PORTS: 1957*
(thousands of short tons)

			Coastwise	
Harbors	Imports	Exports	Receipts	Shipments
Savannah, Georgia	2,010	591	1,445	219
Charleston, S.C.	1,317	474	1,742	126
Wilmington, N. C.	383	336	2,551	21
Jacksonville, Fla.	1,522	368	3,145	66
Tampa, Fla.	1,071	3,272	4,717	1,726
Palm Beach, Fla.	496	313	26	.....
Port Everglades, Fla.	1,592	153	2,689	149
Mobile, Alabama	7,647	1,788	530	1,570
New Orleans, La.	4,588	10,220	908	9,506

*Commerce with ports on internal rivers and internal canals not included.
Source: **Statistical Abstract of the United States, 1959, p. 591.**

Research Studies Available

RESEARCH PAPER NUMBER 16

The Relationship of the Salesman's Wife to the Salesman's Selling Performance

. . . by David J. Schwartz
31 + iv pp., 8½ x 11 in.
(Price—50 cents plus 2 cents sales tax in Ga.)

One hundred and twenty-five sales executives in the Atlanta area responded to a questionnaire asking pertinent information as to the role and influence of the salesman's wife in her husband's success in his selling career. Among these questions were: (1) "Do you interview wives of sales applicants?" (2) "Do you attempt in any way to win greater enthusiasm and cooperation from the salesman's wife toward his selling career?" and (3) "Do you have any suggestions you would like to pass on to other sales executives for helping salesmen become more productive working through the salesman's wife?"

Dr. Schwartz gives the report of his survey in narrative and tabular form, and in several appendices summarizes the comments of the sales executives who participated in the survey. He is Professor of Marketing, School of Business Administration of Georgia State College of Business Administration.

RESEARCH PAPER NUMBER 15

The Impact of Georgia Ports Upon the Economy of the State

. . . by Jack Blicksilver and Mary H. Bowdoin
61 + v pp., 8½ x 11 in.